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Via Electronic Filing

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, DC 20554

Re: Proposed First Quarter 2002 Universal Service Contribution Factor
CC Docket No. 96-45

Dear Ms. Salas:

AT&T files these comments on the Commission's Proposed First Quarter 2002 Universal Service Contribution Factor announced in the Common Carrier Bureau's Public Notice, DA 01-2823, released December 7, 2001, in this docket. The Public Notice proposes a contribution factor of 6.8086%.

AT&T will need to assess its residential customers a universal service contribution of 11.5% commencing January 1, 2002, to recover its universal service fund ("USF") assessment under the proposed factor. This compares to AT&T's current USF line-item for residential customers of 9.9%, an increase of 160 basis points. The continued existence of a six-month lag between the assessment and recovery of carriers' universal service contributions, coupled with AT&T's sharply diminishing interstate and international telecommunications revenues, requires this precipitous increase in its residential line-item USF charge.

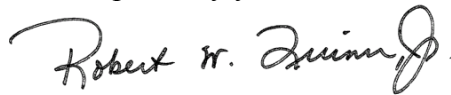
Because AT&T is highly concerned about the impact of an 11.5% factor on consumers, it proposes to refile its November 1, 2001 FCC Form 499Q (which displays AT&T's *actual* third quarter 2001 USF revenue contribution base) with a revised form based on *projected* revenues for the first quarter 2002, subject to subsequent true-up for actual revenues. AT&T would then submit its first quarter USF payments based on the revised Form 499Q, which would allow it to charge residential customers a 9.0% line-item charge.

Naturally, because AT&T's USF contribution base would change, this would impact the overall USF contribution base on which the Bureau computed the proposed first quarter 2002

factor. Accordingly, AT&T's use of projected revenues would require the Commission to revise that contribution factor upwards to account for the smaller overall contribution base. AT&T's 9% line-item charge to residential customers assumes for illustrative purposes that the assessment rate would increase by approximately 0.2% due to its use of projected revenues. If the Commission had adopted a USF assessment mechanism for the first quarter 2002 based on actual revenues (*i.e.*, no lag), the resulting AT&T and industry USF contributions would be the same as under AT&T's proposed projected revenue approach, assuming no projection errors. The true-up would serve to correct any projection errors, thus leaving all contributors in the same position as they would have been under a USF assessment based on actual revenues.

To the extent that a waiver is required to enable AT&T to use projected revenues for its Form 499Q, AT&T requests that a waiver of the Commission's rules be granted. Waiver of the Commission's rules is appropriate if special circumstances warrant a deviation from the general rule and the public interest would be served by the grant.¹ Those conditions are clearly met here. Despite its diminishing USF contribution base, AT&T serves over 50 million residential customers who would be impacted by the sharp increase in the level of AT&T's USF line-item recovery mechanism. AT&T has been working with the Commission for several years to eliminate the lag or to establish a per-line USF assessment and recovery mechanism. AT&T's customers should not be penalized with a rate increase of this magnitude because the lag continues to exist.

Respectfully yours,

A handwritten signature in dark ink, reading "Robert W. Quinn, Jr." with a stylized flourish at the end.

Robert W. Quinn, Jr.

cc: Dorothy Attwood, Common Carrier Bureau
Kyle Dixon, Legal Advisor to the Chairman

¹

WAIT Radio v. FCC, 418 F.2d 1153, 1159 (D.C. Cir. 1969).